Brief Observations Concerning Trade and Interest of Money

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by J.C.

London, Printed for Elizabeth Calvert at the Black-spread Eagle in Barbican, and Henry Mortlock at the Sign of the White-Heart in Westminster Hall. 1668

Josiah Child
1668

The prodigious increase of the Netherlanders in their domestick and forreign Trade, Riches, and multitude of Shipping, is the envy of the present, and may be the wonder of all future Generations: And yet the means whereby they have thus advanced themselves, are sufficiently obvious, and in a great measure imitable by most other Nations, but more easily by us of this Kingdom of England, which I shall endeavour to demonstrate in the following discourse.

Some of the said means by which they have advanced their Trade, and thereby improved their Estates, are these following:

First, They have in their greatest Councils of State and War, trading Merchants that have lived abroad in most parts of the World; who have not onely the Theoretical Knowledge, but the Practical Experience of Trade, by whom Laws and Orders are contrived, and Peaces with forreign Princes projected, to the great advantage of their Trade.

Secondly, Their Law of Gavel-kind, whereby all their Children possess an equal share of their Fathers Estates after their decease,and so are not left to wrastle with the world in their youth, with inconsiderable assistance of fortune, as most of our youngest Sons of Gentlemen in England are, who are bound Apprentices to Merchants.

Thirdly, Their exact making of all their Native Commodities, and packing of their Herrings, Codfish, and all other Commodities, which they send abroad in great quantities; the consequence whereof is, That the repute of their said Commodities abroad continues alwyas good, and the Buyers will accept of them by the marks, without opening; whereas the Fish which our English make in Newfound-Land and New-England,a nd Herrings at Yarmouth, often prove false and deceitfully made, and our Pilchards from the West Country false packed; seldom containing the quantity for which the Hogsheads are marked in which they are packed.

And in England the attempts which our fore-fathers made for Regulating of Manufactures, when left to the Execution of some particular person, in a short time resolved but into a Tax upon the Commodity, without respect to the goodness thereof; as most notoriously appears in the business of the AULNAGE, which doubtless our Predecessors intended for a scrutiny in o the goodness of the Commodity; and to that purpose a Seal was invented, as a signal that the Commodity was made according to the Statutes, which Seals it is said, may now be bought by Thousands, and put upon what the Buyers please.

Fourthly, Their giving great incouragement and immunities to the Inventors of New Manufactures, and the Discoverers of any New Mysteries in Trade, and to those that shall bring the Commodities of other Nations first in use and practise amongst them; for which the Author never goes without his due Reward allowed him at the Publique Charge.

Fifthly, Their contriving and building of great Ships to sail with small charge, not above one third of what we are at, for Ships of the same Burthen in England; and compelling their said Ships (being of small force) to sail always in Fleets, to which in all times of danger they allow Convoy.

Sixthly, Their parsimonious and thrifty Living, which is so extraordinary, that a Merchant of one hundred thousand pound estate with them, will scarce spend so much per annum, as one of fifteen hundred pounds Estate in London.

Seventhly, The education of their Children, as well Daughters as Sons; all which, be they of never so great quality or estate, they always take care to bring up to write perfect good hands, and to have the full knowledge and use of Arithmetick and Merchants Accompts; the well understanding and practice whereof, doth strangely infuse into most that are the owners of that quality, of either Sex, not onely an ability for Commerce of all kinds, but a strong aptitude, love, and delight in it; and in regard the women are as knowing therein as the men, it doth incourage their Husbands to hold on in their Trades to tehir dying days, knowing the capacity of their Wives to get in their Estates, and carry on their Trades after their Deaths: Whereas if a Merchant in England arrive at any considerable Estate, he commonly withdraws his Estate from Trade, before he comes near the confines of old Age, reckoning that if God should call him out of the World, while the maine of his Estate is engaged abroad in Trade; he must lose one third of it, through the unexperience and unaptness of his Wife to such Affairs, and so it usually falls out.

Besides, It hath been observed in the nature of Arithmetick, that like other parts of the Mathematicks, it doth not onely improve the Rational Faculties, but inclines those that are expert in it to thrifiness and good Husbandry, and prevents both Husbands and Wives in some measure from running out of their Estates, when they have it always ready in their Heads what their expences do amount to, and how soon by that course their ruine must overtake them.

Eighthly, The loweness of their Customs, and the heighth of their Excise, which is certainly the most equal and indifferent Tax in the World, and least prejudicial to any People, as might be made to appear, were it the subject of this discourse.

Ninethly, The careful providing for, and employment of their Poor; which is easie to demonstrate can never be done in England comparatively to

what it is with them, while it's left to the care of every Parish to look after their own onely.

Tenthly, Their use of BANKS, which are of so immence advantage to them, that some not without good grounds have estimated the profit of them to the Publick to amount to at least one million of pounds sterling per annum.

Elevently, Their Toleration of different Opinions in matters of Religion: by reason whereof many industrious People of other Countreys, that dissent from the Established Government of their own Churches, resort to them with their Families and Estates, and after a few years cohabitation with them, become of the same Common interest.

Twelfthly, Their Law-Merchant, By which all Controversies between Merchants and Tradesmen are decided in three or four days time, and that not at the fortieth part (I might say in many cases not the hundredth part) of the charge they are with us.

Thirteenthly, The Law that is in use among them for transference of Bills for Debts from one man to another: This is of extra-ordinary advantage to them in their Commerce; by means whereof, the can turn their Stocks twice or thrice in Trade, for once that we can in England; for that having sold our Foreign Goods here, we cannot buy again to advantage, till we are possest of our Money; which it may be we shall be six, nine, or twelve Months in recovering: And if what we sell be considerable, it is a good man's work all the Year to be following Vintners, and Shopkeepers for Money. Whereas, were the Law for Transferring Bills in practise with us, we could presently after sale of our Goods, dispose of our Bills; and close up our accounts. To do which, the advantage, ease, and accommodations it would be to Trade, is so great, that none but Merchants that have lived where that custom is in use, can value to its due proportion.

Fourteenthly, Their keeping up PUBLICK REGISTERS of all Lands and Houses, Sould or Mortgaged, whereby many chargable law Suits are prevented, and the securities of Lands and Houses rendred indeed, such as we commonly call them, REAL SECURITIES.

Lastly, the lowness of Interest of Money with them, which in peaceable times, exceeds not three per cent Per annum; and is now during this War with England, not above four per cent at most.

Some more Particulars might be added, and those aforesaid further improved; were it my purpose to discourse at large of Trade. But seeing most of the former Particulars are observed and granted by all men that make it any part of their business, to inspect the true nature and principles of Trade; but the last is not so much as taken notice of by the most Ingenious, to be any cause of the great encrease of the Riches and Commerce of that people.

I shall therefore in this Paper confine my self to write principally Observations touching that, viz.

The Profit That People have received, and any other may receive, by reducing the Interest of Money to a very Low Rate.

This in my poor opinion, is the CAUSA CAUSANS of all the other causes of the Riches of that people; and that if Interest of Money were with us reduced to the same rate it is with them, it would in a short time render us as Rich and Considerable in Trade as they are now, and consequently be of greater dammage to them, and advantage to us, then can happen by the Issue of this present War, though the success of it should be as good as we can wish, except it end in their Total Ruine and Extripation.

To illustrate this, let us impartially search our Books, and enquire what the State and condition of this Kingdom was, as to Trade and Riches, before any Law concerning Interest of Money was made. The first whereof that I can find, was Ann 1545, and we shall be Informed that the Trade of England then was Inconsiderable, and the Merchants very mean and few: And that afterwards, viz, Anno. 1635 with ten Years after Interest was brought down to eight per cent there was more Merchants to be found upon the Exchange worth each One thousand Pounds and upwards, then were in the former dayes, viz. before the year 1600 to be found worth One hundred Pounds each.

And since Interest hath been for about twenty Years at six per cent notwithstanding our long civil Wars, and the great complaints of the deadness of Trade, there are more men to be found upon the Exchange now worth Ten thousand pounds Estates, then were then of One thousand pounds.

And if this be doubted, let us aske the aged, whether five hundred pounds Portion with a Daughter sixty Years agoe, were not esteemed a larger Proportion then Two thousands pounds is now: And whether Gentlewoman in those dayes would not esteeme themselves well cloathed in a Searge Gown, which a Chamber-Maid will now be ashamed to be seen in: Whether our Citizens and middle sort of Gentry now are not more rich in Cloaths, Plate, Jewels, and Household Goods, etc. then the best sort of Knights and Gentry were in those dayes. And whether our best sort of Knights and Gentry now, do not exceed by much in those things the Nobility of England sixty Years past: Many of whom then would not go to the price of a whole Sattin Doubtlet; the Embroiderer being yet living, who hath assured me he hath made many hundreds of them for the Nobility with Canvas backs.

Which way ever we take our measures, to me it seems evident, that since our first abatement of Interest, the Riches and Splendor of this Kingdom is encreased to above four (I might say above six) times so much as it was.

We have now almost One hundred Coaches for one we had formerly. We with ease can pay a greater Tax now in one Year then our Fore-fathers could in twenty.

Our Customes are very much improved: I believe above the proportion aforesaid, of six to one, which is not so much in advance of the Rates of Goods, as by encrease of the bulke of Trade; for though some Forreign Commodities are advanced, others of our Native Commodities, and Manufactures are considerably abated, by the last Book of Rates.

I can my self remember since there were not in London used so many Wharfs or Keys for the Landing of Merchants Goods, by at least one third part as now there are: And those that were then, could scarce have imployment for half whay they could do; and now notwithstanding one third more used to the same purpose, they are all too little in a time of Peace, to Land the Goods at, that come to London.

If we look into the Countrey, we shall find Lands as much Improved since the abatement of Interest, as Trade, etc. in Cities; that now yeelding twenty Years purchase, which then would not have sold for above eight or ten at most.

Besides, the Rent of Farmers have been for the last thirty years much advanced; and although they have for these three or four last years fallen, that hath no respect at all to the lowness of Interest at present, nor to the other mistaken reasons which are commonly assigned for it.

But principally to the vast Improvement of Ireland, since a great part of it was lately possest by the Industrous English, who were Souldiers in the Late Army; And the late great Land Taxes.

More might be said, but the Premises being considered, I judge will sufficiently demonstrate how greatly this Kingdom of England hath been

advanc't in all respects for these last fifty years: And that the abatement of Interest hath been the cause thereof, to me seems most probable; because as it appears it hath been in England, so I find it is at this day in all Europe, and other parts of the World: Insomuch that to know whether any Country be rich or poor, or in what proportion it is so, no other question needs to be resolved, but this, viz. What Interest do they pay for Money? Neer home we see it evidently, in Scotland and Ireland, where ten and twelve per cent is paid for Interest, the people are poor and despicable, their Persons ill cloathed, their Houses worse provided, and Money intollerably scarce, notwithstanding they have great plenty of all provisions, nor will their Land yield above eight or ten years purchase at most.

In France where Money is at seven per cent, their Lands will yield about eighteen years purchase; and the Gentry who may possess Lands, live in good condition, though the Peazants are little better then Slaves, because they can possess nothing but at the will of others.

In Italy Money will not yield above three per cent to be let out upon real security; there the people are rich, full of Trade, well attired, and their Lands will sell at thiry five to fourty years purchase, and that it is so, or better, with them in Holland, is too manifest.

In Spain the usual Interest is ten and twelve per cent and there, nothwithstanding they have the only Trade in the World for Gold and Siblver, Money is no where more scarce; the people poor, despicable, and void of Commerce, other then such as English, Dutch, Italians, Jews, and other Forreigners bring to them; who are to them in effect, but as Leeches, who suck their blood and vital Spirites from them.

I might urge many other instances of this nature, not only out of Christendom: But from under the Turks Dominions; East-India and America: but every man by his Experience in Forreign Countries, may easily Inform himself, whether this Rule do univerisally hold true or not: For my own part, to satisfie my own curiosity, I have for some years, as occasion offer'd, diligently enquired of all my acquantaince that had knowledge of forreign Countries, and I can truly say that I never found it to fail in any particular Instance.

Now if upon what hath been said, it be granted that de facto, this Kingdom be richer at least four-fold (I might say eight fold) then it was before any Law for Interest was made, and that all Countries are at this day richer or poorer in an exact proportion to what they pay, and have usually paid for the Interest of Money; it remains that we enquire carefully, whither the abatement of Interest be in truth the Cause of the Riches of any Country, or only the Concomitant or Effect of the Riches of a Country; in which seems to lie the Intricacy of this Question.

To satisfie my self wherein, I have taken all opportunities to discourse this point, with the most Ingenious men I had the Honour to be known to, and have search't for, and read all the Books that I could ever hear were printed against the Abatement of Interest, and seriously considered all the Arguments and Objections used by them against it: All which offer to the consideration of wiser Heads, viz. THAT THE ABATEMENT OF INTEREST IS THE CAUSE OF THE PROSPERITY AND RICHES OF ANY NATION, and that the bringing down of Interest in this Kingdome, from six to four, or three per cent will necessarily, in less than twenty Years time, double the Capital Sock of the Nation.

The most material Objections I have met with against it, are as follows:

Object 1. To abate Interest, will cause the Dutch and other People that have money put out at interest in England, by their Friends and Factors, to call home their Estates, and consequently will occasion a great scarcity and want of Money amongst us.

To this I answer, That if Interest be brought but to four per cent no Dutchman will call in his Money that is out upon good Security in England, because he cannot make above three per cent of it upon interest at home. But if they should call home all the Money they have with us at Interest, it would be better for us than if they did it not; for the Borrower is always a slave to the Lender, and shall be sure to be always kept poor, while the other is fat and full: HE THAT USETH A STOCK THAT IS NONE OF HIS OWN, BEING FORCED FOR THE UPHOLDING HIS REPUTATION TO LIVE TO THE FULL, IF NOT ABOVE THE PROPORTION OF WHAT HE DOTH SO USE, WHILE THE LENDER POSSESSING MUCH, AND USING LITTLE OR NONE, LIVES ONELY AT THE CHARGE OF WHAT HE USETH, AND NOT OF WHAT HE HATH.

Besides, if with this law for abatement of Interest, a Law for Transferring Bills of Debt should pass, we should not miss the Dutch Money, were it ten times as much as it is amongst us; for that such a Law will certainly supply the defect of at least one half of all the ready money we have in use in the Nation.

Object 2. If Interest be abated, Land must rise in purchase, and consequently Rents; and if Rents, then the fruits of the Land; and so all things will be dear, and how shall the Poor live? etc.

Answ. To this I say, If it follow that the fruits of our Land, in consequence of such a Law for abatement of Interest, grow generally dear, it is an evident demonstration that our People grow richer; for generally, wherever Provisions are for continuance of years dear in any Country, the People are rich; and where they are most cheap throughout the World, for the most part the People are very poor.

And for our own Poor in England, it is observed, That they live better in the dearest Countries for Provisions, than in the cheapest, and better in a dear year than in a cheap, (especially in relation to the Publique Good) for that in a cheap year they will not work above two days in a week; their humour being such, that they will not provide for a hard time; but just work so much and no more, as may maintain them in that mean condition to which they have been accustomed.

Object 3. If Interest be abated, Usurers will call in their Money; so what shall Gentlemen do, whose Estates are Mortgaged? etc.

Answ. I answer, That when they know they can make no more of their money by taking out of one, and putting it in another hand, they will not be so forward as they threaten, to alter that Security they know is good, for another that may be bad: Or if they should do it, our Laws are not so severe, but that Gentlemen may take time to dispose of part of their Land, which immediately after such a Law will yield them thirty years purchase as least and much better it is for them so to do, than to abide longer under that consuming Plague of Usury, which hath insensibly destroyed very many of the best Families in England, as well of our Nobility as Gentry.

Object 4. As Interest is now at six per cent the Kings Majesty upon any emergency can hardly be supplied; and if it should be reduced to four per cent how shall the King find a considerable sum of Money to be lent him by his People?

Answ. I answer, The abatement of Interest to the People, is the abatement of Interest to the King, when he hath occasion to take up money: For what is borrowed of the City of London, or other Bodies Politique, nothing can be demanded but the legal Interest; and if the King have occasion to take up money of private persons, being his Majesty, according to good right, is above the common course of Law, the King must and always hath given more than the legal Rate. As for instance: The legal Rate is now six per cent but his Majesty, or such as have disposed of his Majesties Exchequer-Tallies, have been said to give ten and twelve in some cases; and if the legal Rate were ten, his Majesty might probably give thirteen or fourteen: So if Interest be brought to four per cent his Majesty in such cases as he now gives ten, must give six or seven; by which his Majesty would have a clear advantage.

Object 5. If Interest be abated, it will be a great prejudice to Widdows and Orphans, who have not Knowledge and Abilities to improve their Estates as otherwise.

Answ. I answer, That by our Law now, Heirs and Orphans can recover no interest from their Parents Executors, except it be left fully and absolutely to the Executors to dispose and put out Money at the discretion of the Executors, for the profit and loss of the Heirs and Orphans: And if it be so left to the Executors discretion, they may improve the moneys left them in Trade, or purchase of Lands and Leases, as well as by Interest: Or when not, the damage such Heirs and Orphans will sustain in their minority, (being but two per cent) is inconsiderable, respect of the great advantages will accrew to the Nation in general, by such abatement of Interest.

Besides, when such a Law is made and in use, all men will so take care in their Life to provide for and educate their Children, and instruct their Wives, as that no prejudice can happen thereby; as we see there doth not in Holland and Italy, and other places where Interest is so low.

Having now offered my thoughts in answer to the aforesaid Objections, it will not be amiss, that we enquire who will be advantaged, and who will receive prejudice, in case such a Law be made.

First, His Majesty, as hath been said in answer to that Objection, will, when he hath occasion, take up Money on better terms: Besides which, He will receive a great augmentation to his Revenue thereby, all his Lands being immediately worth, after the making such a Law, double to what they were before; his Customs will be much increas'd by the increase of Trade, which must necessarily insue, upon the making such a Law.

The Nobility and Gentry, whose Estates lie mostly in Land, may presently upon all they have, instead of fifty, write one hundred.

Our Marriners, Shipwrights, Porters, Clothiers, Packers, and all sorts of Labouring People that depend on Trade, will be more constantly and fully employed.

Our Farmers sell the product of their Lands at better rates. And whereas our neighbours the Netherlanders (who in regard of the largeness of their Stocks, and Experiences, the Sons continually succeeding the Fathers in Trade to many Generations, we may not unfitly in this case term Sons of Anach, and men of renown) against whom, we fight Dwarfs and Pigmies in Stocks and Experience, being younger Brothers of Gentlemen, that seldom have above one thousand pounds, sometimes not two hundred to being the world with: Instead I say of such young men and small Stocks (if this Law pass) we shall bring forth our Sampsons and Goliahs in Stocks, subtilty, and experience in Trade to coap with our potent Adversaries on the other side; there being to every mans knowledge that understands the Exthange of London, divers English Merchants of large Estates, which have not much past their middle-age, and yet have wholly left off their Trade, having found the sweetness of Interest, which if that should abate, must again set their hands to the Plough (which they are as able to hold and govern as ever) and also will engage them to train up their Sons int he same way, because it will not be so easie to make them Country Gentlemen as now it is, when Lands sell at thirty or fourty years purchase.

For the Sufferers by such a Law, I know none but idle persons that lives at as little expence as labour, Neither scattering by their expences, so as the Poor may Glean any thing after them, nor working with their hands or heads to bring either Wax, or Honey to the common Hive of the Kingdom; but swelling their own Purses by the sweat of other mens brows, and the contrivances of other mens brains: And how unprofitable it is for any Nation, to suffer IDLENESSE TO SUCK THE BREASTS OF INDUSTRY; needs no Demonstration. And if it be granted me, that these will be the effects of an Abatement of Interest doth tend to the enriching of a Nation, and consequently, hath been one great cause of the Riches of the Dutch and Italians: And the encrease of the Riches of our own Kingdom, in these last fifty years.

Another Argument to prove which, we may draw from the Nature of Interest itself, which is of so prodigious a Multiplying nature, that it must of necessity make the Lenders monstrous rich, (if they live at any monderate expence) and the Borrowers extream poor: A memorable instance whereof, we have in Old Audley deceased, who did wisely observe, That one hundred pounds onely, put out at Interest at ten per cent, doth in seventy years (which is but the Age of a Man) increase to above one hundred thousand pounds: And if the advantage be so great to the Lender, the loss must be greater to the Borrower, who (as hath been said) lives at a much larger expence. And as it is between private Persons, so between Nation and Nation, that have Communication one with another. For whether the Subjects of one Nation lend Money to subjects of another, or Trade with them for Goods, the effect is the same. As for example; A Dutch Merchant that hath but four or five thousand pounds clear Stock of his own, can easily borrow and have credit for fifteen thousand pounds more at three per cent at home; with which, whether he Trade or put it to Use in England, or any Country where Interest of Money is high, he must necessarily (without very evil accidents attend him) in a very few years, treble his own Capital.

This discovers the true cause, why the Sugar-Bakers of Holland can afford to give a greater prize for Barbados Sugars in London, besides the second Freight and Charges upon them between England and Holland, and yet grow exceeding rich upon their Trade; Whereas our Sugar-bakers in London, that buy their Sugars here at their own doors, before such additional Freight and Charges come upon them, can scarce live upon their Callings, ours here paying for a good share of their Stocks six per cent, and few of them employ in their Sugar-works, above six to ten thousand pounds at most: Whereas in Holland they employ twenty, thirty, to fourty thousand pounds Stock in a Sugar-House, paying but three per cent at most for what they take up at Interest, to fill up their said Stocks, which is sometimes half, sometimes three quarters of their whole Stocks. And as it is with this Trade, the same rule holds throughout all other Trades whatsoever. And for us to say, if the Dutch put their Money to Interest among us, we shall have the advantage by being full and flush of Coin at home; it is a meer Chymera, and so far from an advantage, that it is an extream loss, rendring us only in the condition of a young Gallant, that hath newly Mortgaged his Land, and with the Money thereby raised, stuffes his Pockets, and looks big for a time, not considering that the draught of Cordial he hath received, though it be at present grateful to his pallat, doth indeed prey upon his vital Spirits; and will in a short time render the whole body of his Estate in a deep Consumption; if not wholly consumed: Besides, whatever Money the Dutch lends us, they always keep one end of the Chain at home in their own hands; by which they can pull back when they please their Lean-kine, which they send hither to be fatted.

This makes me conclude that Moses (that wise Legislator) in his forbidding the Jews to lend money at use one to another, and permitting them to lend their money to Strangers; ordained that Law as much to a Political as a Religious intent; knowing that by the latter they should enrich their own Nation, and by the former no publick Good could insue; the consequences being onely to improvish one Jew to make another rich.

This likewise takes off the wonder how the People of Isreal, out of so small a Territory as they possessed, cuold upon all occasions set forth such vast and numerous Armies (almost incredible) as all Histories, sacred and prophane, report they did; which is neither impossible nor strange to any that have well considered the effects of their Laws concerning Usury, which were sufficient to make any barren Land fruitful, and a fruitful Land an entire Garden, which by consequence would maintain ten times the number of Inhabitants that the same Tract of Land would do where no such Laws were.

To conclude, It is (I think) agreed on by all, That Merchants, Artificers, Farmers of Land, and such as depend on them (which for brevity-sake we may here include under one of these general terms) viz. Seamen, Fishermen, Breeders of Cattel, Gardners, etc. are the three sorts of People

which by their study and labour do principally, if not onely, bring in Wealth to a Nation from abroad; other kinds of People, viz. Nobility, Gentry, Lawyers, Physicians, Scholars of all sorts, and Shopkeepers, do onley hand it from one to another at home. And if abatement of Interest (besides the general benefit it brings to all, except the Griping Dronish Usurer) will adde new life and motion to those most profitable Engines of the Kingdom (as I humbly suppose)

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